

## **HOW DO WE MEET MICHIGAN'S ENERGY NEEDS?**

Wednesday July 20, 2005 Press Conference

At 11:30 AM with Senator Bruce Patterson

Room 420/403 State Capitol Bldg.

**The following is the text of the statement Sen. Patterson gave at a news conference in which he called for a long-range energy plan for the state:**

Good morning everyone. It is nice to see you all, and especially to see you *working*. I have been just wiling away the hours, relaxing while on summer recess – WRONG, I TOO HAVE BEEN WORKING.

That said, for a moment I want you to sit back and dream --

You're tired, heading home after a long day at work. You're glad to be going home – to your 'castle'. You imagine pulling into the garage, getting out of the car, opening the door to your home, flipping on the lights, going to the refrigerator and getting a cool drink, picking up the phone and ordering a pizza.

BUT NO, instead of happening as you dream it, your attempt to open the garage with the automatic garage door opener doesn't work, the door DOES NOT go up; inside - the house is HOT – the AIR CONDITIONER is out; when you flip the switch – nothing happens, no lights; and, there is no dial tone on the phone when you try to make a call – the phone is DEAD.

What's up? Didn't your spouse pay the utility bills? Are we having another power blackout, like the one in August 2003? Is it something even worse – has there been a terrorist attack?

Matters of power reliability and affordability are topics of concern that require the government's attention. In Michigan and at the Federal level, the topic of ENERGY has been under review in different ways. At the state government level, the state legislature and the Michigan Public Service Commission (MPSC) both exercise some measure of oversight relative to the issue.

By now we are all aware of the fact that the Capacity Needs Forum [CNF] has completed PHASE ONE of its charge in accordance with case U-14231, and has issued a Status Report dated July 1, 2005. I have completed my review of that report and I want to WHOLE – HEARTEDLY COMMEND BOTH THE MPSC and the STAKEHOLDERS who labored since last October 14<sup>th</sup> to reach the point of issuing the report.

Since the report was split into two phases, and phase two pertains to the matter the MPSC's resource addition policy, I have decided to compliment that effort today. In addition, I have chosen to do so today because MEGA [The Michigan Electric and Gas Association] conference is taking place this week.

Moreover, since both the Senate and House Standing Committees on Technology and Energy have held hearings and taken expert testimony over the course of many months – in fact, for the Senate Committee I chair it has been for several years – it seems appropriate to reach some conclusions and make certain announcements.

To that end, I have decided to hold this Press Conference. Building upon our Committee work and the irrefuted findings of the Committee, as well as the efforts of the MPSC (with its substantial staff of technical experts) & the stakeholders constituting the CNF I have determined that it is time to make an ANNOUNCEMENT.

MICHIGAN HAS DEFINITE ENERGY NEEDS; and, the question posed by that fact is: HOW DO WE MEET MICHIGAN’S ENERGY NEEDS – TODAY, TOMORROW AND TWENTY YEARS FROM NOW?

In many respects, your life and that of your family, friends and neighbors, GRANDCHILDREN AND GREAT-GRANDCHILDREN, as well as your life – style are highly dependent on the wisdom of the decisions reached so far and the ACTIONS TAKEN FROM THIS POINT FORWARD. That is why I have chosen to address you today.

ENERGY IS ALL TOO OFTEN TAKEN FOR GRANTED. Electricity, natural gas supplies, fossil fuels, as well as all other forms of energy, are all assumed to be available just because we need them, and despite the fact there exists a CERTAIN FINITENESS to energy. This, despite the fact, there is ever increasing demand for the limited amount of these commodities readily available world – wide.

Consequently, due to the law of supply and demand, as demand increases, prices will inevitably increase, too. This equation is made more complex by legitimate concerns over our environment.

For example, if electricity is to be generated,

- do we jeopardize clean air by burning cheaper coal, instead of the more expensive low-sulfur coal; or,
- do we take risks that can be cataclysmic by harnessing nuclear sources to heat water, make vapor, and spin mammoth turbines; or,
- do we rely on natural gas [a heating commodity itself and vital chemical research component] to create electricity to heat, air condition and illuminate our homes and workplaces?

The question is often posed: “How can we ensure consistent, reliable energy supplies at affordable prices, available to dependant consumers located in varied geographic locations?” As you can imagine, the answer is not an easy one.

Over the last century, society has decided to look to government for at least a part of the solution. In turn, government has decided to impose various '*regulatory*' measures, processes, and restrictions.

With the dawn of the 21<sup>st</sup> Century, more than a few minds, of differing perspectives and philosophies, are re-exploring the *status quo* and applying new theories while employing new technologies. The decisions reached will affect every job that exists in Michigan, and every one that appears on the horizon of tomorrow. It is important stuff, and you are counting on the decision – makers to do their best.

During her State of the State address (February 8, 2005), Governor Granholm referenced the need to invest in jobs for today and jobs for tomorrow. She indicated that our ability to educate our residents was a vital component for our collective prosperity. I personally agree with both of her propositions. Consequently, I look forward to working hard to find solutions upon which we all agree.

Having said that, I believe the time to act is now! As reported by the CNF Status Report, and as adduced during hours of Senate Committee testimony, Michigan has enough electric power to meet our needs for now, but we will be nearly one whole base load generation power plant short by the end of the decade. What is even more significant, the facts, figures and overall statistics I have gathered demonstrate to me that we really don't have time to waste because Michigan CURRENTLY IMPORTS approximately \$18 BILLION DOLLARS of its energy NEEDS. Consequently, since we spend about \$27 BILLION ANNUALLY on energy used in and by Michigan, we have a VERY SIGNIFICANT ECONOMIC DRAIN on our economy. And, that ain't good! (-- to use the vernacular.)

RIGHT NOW/TODAY – Michigan imports:

- 100 % of its COAL
- 100 % of its URANIUM
- 96 % of its OIL & PETROLEUM PRODUCTS
- 75 % of its NATURAL GAS

in other words, we are very dependant.

Consequently, I am of the firm belief that we MUST DO BETTER. But HOW, you ask?

The answer: We must begin with a **LONG RANGE ENERGY PLAN**.

Currently, Michigan lacks an express, explicit ENERGY PLAN. With no energy policy obvious to anyone, no one is interested in making a long - term commitment in building for the future. We must accurately forecast and respond to our needs, and enhance our ability to provide for our future. If we don't, we will be ever more dependant, and thus more vulnerable to the vagaries and volatility of outsiders, some of whom could act irresponsibly or at least in only their self-interest.

In order to create such a PLAN, I believe it would be best to create a coordinated, committed group of individuals capable of working collaboratively with the Executive and Legislative Branches of government in this era of Term Limits who would diligently labor to achieve lasting, positive outcomes, in the nature of PERIODIC RECOMMENDATIONS that would in turn be offered in a bi-partisan, bi-cameral fashion as Bills that would ultimately be enacted into LAW.

Thus codified, the ENTREPRENEURS and CAPITALISTS among us could then invest comfortably, knowing they could accurately assess their RISK and REWARD. As I have said repeatedly, at Committee hearing after Committee hearing, in order to ensure our future energy needs we must codify CONSISTENCY and PREDICTABILITY.

IDEALLY, the PLAN will embrace CAPACITY REQUIREMENTS, it will STRIVE TO PROMOTE ENERGY EFFICIENCIES, and it will attempt to recommend investment in and development of CLEAN TECHNOLOGIES that are 'HOME GROWN' – just like what I envision will be happening at the NEXT ENERGY facility I toured Monday with Senator Olshove. {Coincidentally, he and I are both proud Wayne State University alums and NEXT ENERGY is located just off campus, and anticipates a strong synergistic relationship with our *ALMA MATER*.}

To encourage these CLEAN TECHNOLOGY energy developments to occur right here in Michigan, it will be necessary to incubate them, cultivate and incentivize their growth. Thus, as I have said MANY TIMES over the course of the last two years, we must ESTABLISH BENCHMARKS and OBJECTIVES if we are to maximize our efforts in pursuit of the GOALS set forth in the PLAN.

To that end, legislation setting out specifically the standards we want in the manner of a "portfolio" of RENEWABLE ENERGY GENERATION and ENERGY EFFICIENCY STANDARDS must be CLEARLY ESTABLISHED. With these targets created at the front end, and with clear guidelines collaboratively set down in statute, the energy suppliers will KNOW what they face and how they will be treated and rewarded for the risk they undertake in our state of Michigan.

Due to the fact that our public universities are well aware of the economic condition Michigan faces, and since they have considerable talent traveling their hallowed halls on a daily basis, and since many hold patents worth bringing to market and the credibility to attract investment, it seems natural to reach out and draw in these institutions of higher education as full partners in this critical COLLABORATION.

By developing a PLAN, which unites the private business sector, the public education sphere, and the people's government, we are on a path to inter – dependence, rather than DEPENDENCE. By reducing the costs of energy generation and consumption, and the risks of uncertainty of reliability and availability, while increasing the predictability inherent in a stable, well-conceived statutory system and the consistency of a sound regulatory scheme, we will be on a path to renewed vitality and ensured viability.

Many have high hopes that Hydrogen fuel cells will hold promise for the long term. We need to invest in research to advance this technology to a point where it is commercially viable. It holds great promise. It has environmental advantages as well as economic advantages. Moreover, it can greatly reduce our dependence on foreign fossil fuels. That is why I began hearings in front of my Technology & Energy Committee nearly two years ago. But, in addition to this emerging technology, there are others – Wind, Solar, biomass, as well as renewable FUELS like energy crops and re- cycled manure, as well as other waste fuels from municipalities and industrial sources, as well as synthetic fuels like coal gasification. To many seers of the future, the ALTERNATIVE ENERGY OPTIONS seem endless. But that is great, because the demand seems inexhaustible.

We need only look to Ohio and Pennsylvania for PROGRAMS already undertaken and which can provide hints on how to and how NOT to proceed. Ohio's "Third Frontier" program and Pennsylvania's "Growing Greener" program are each utilizing bond proceeds to launch. So, while the Legislature considers its options on how to 'jump start' Michigan's economic recovery and the concept of securitizing the Tobacco Settlement revenues, I submit a solid possibility exists in nurturing sustainable energy, emerging technologies. They hold the promise of rewarding us with a better environment, lower energy costs and dependency, and career opportunities that will boast fat paychecks and solid investment returns for equity investors.

For further guidance, I would commend to your consideration legislation introduced in the New York State Assembly, June 15, 2005, Senate Bill S05717. It may well be an overall model to which we can also turn as we proceed with this undertaking.

The need exists, the opportunity has presented itself. -- Hopefully, we can labor successfully and achieve model legislation to guide our course of action and then our state over, around and through the hazardous unknown of tomorrow.

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